

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 PA-01 PRS-01 L-03 /083 W
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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 6182

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E.O. 11652: N/A
TAGS: EFIN, VE
SUBJECT: GOV INITIATES PLAN V BORROWING

REF: CARACAS 14651

1. THE GOVERNMENT OF VENEZUELA HAS REQUESTED A NUMBER OF FOREIGN BANKS TO SUBMIT PROPOSALS TO THE CENTRAL BANK BY THE END OF THIS WEEK FOR A \$1.2 BILLION SYNDICATED EURODOLLAR LOAN. THE FUNDS WILL BE USED TO FINANCE CAPITAL INVESTMENT UNDER PLAN V, AND CONSTITUTE ONLY PART OF THE AUTHORIZED \$5 BILLION IN FOREIGN BORROWINGS EXPECTED TO BE CONTACTED FOR DURING THE NEXT TWO OR THREE YEARS. THE GOVERNMENT ASKED FOR A MINIMUM EIGHT YEAR TERM FOR THE LOAN, INCLUDING A TWO YEAR GRACE PERIOD.

2. AT THE SAME TIME, FIRST BOSTON (EUROPE) LTD., REPORTEDLY HAS BEEN ASKED TO ARRANGE A \$100 MILLION BOND OFFERING IN EUROPE AND MORGAN STANLEY A BOND ISSUE FOR THE SAME AMOUNT IN NEW YORK. THE BOND ISSUES ARE EXPECTED TO HAVE A LIFE OF SEVEN YEARS, BUT INTEREST RATES HAVE NOT YET BEEN DECIDED.

3. ACCORDING TO LOCAL US BANK REPRESENTATIVES, MORGAN, CHASE,
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BANK OF AMERICA, FIRST BOSTON, MIDLAND BANK, AND APPROXIMATELY ELEVEN OTHER BANKS WILL TRANSMIT A BID TO THE CENTRAL BANK FOR THE ENTIRE \$1.2 BILLION ON THE AFTERNOON OF JANUARY 7. WE UNDERSTAND THE INTEREST RATE TO BE OFFERED IS TIED TO AND APPROXIMATELY 1 1/8 PERCENT MORE THAN THE LONDON INTERBANK RATE. THESE ARE THE TERMS OBTAINED BY THE GOV

FOR A \$1 BILLION REFINANCING LOAN SIGNED LAST OCTOBER 8 IN CARACAS. IN THE OPINION OF LOCAL BANKERS, NOTHING HAS TRANSPIRED SINCE THEN WHICH MAKES VENEZUELA MORE OF A CREDIT RISK; ON THE CONTRARY, WE UNDERSTAND MOODY'S GAVE THE REPUBLIC OF VENEZUELA A AAA RATING ON JANUARY 6.

4. FUTURE BORROWINGS OF THIS MAGNITUDE MAY BE A BIT MORE COMPLICATED AND EXPENSIVE FOR VENEZUELA. WE ARE TOLD THAT A NUMBER OF US BANKS WHICH TRADITIONALLY HAVE DONE BUSINESS IN VENEZUELA MAY BE APPROACHING THE LIMITS ESTABLISHED BY U.S. LAW FOR LOANS TO ANY ONE CUSTOMER. IF THESE BANKS DO NOT RESORT TO FURTHER SYNDICATION TO REDUCE THEIR EXPOSURE, THEY WILL NOT BE ABLE TO PARTICIPATE IN ANY MAJOR WAY IN FUTURE REPUBLIC OF VENEZUELA OFFERINGS, AND THE GOV WILL HAVE TO TURN TO OTHER BANKS FOR FUNDS.
VAKY

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

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Sent Date: 07-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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